

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into
Implementation of Assembly Bill 970 Regarding
the Identification of Electric Transmission and
Distribution Constraints, Actions to Resolve
Those Constraints, and Related Matters Affecting
the Reliability of Electric Supply.

Investigation 00-11-001
(Filed November 2, 2000)

**ASSIGNED COMMISSIONER RULING
ADOPTING TRANSMISSION RANKING COST REPORTS,
SETTING PREHEARING CONFERENCE, AND UPDATING SERVICE LIST**

Pursuant to Decision (D.) 04-06-013, which delegated this task to the Assigned Commissioner, in this ruling I address the adequacy of the Transmission Ranking Cost (TRC) Reports that San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E) filed in this proceeding for use in the 2004 renewable portfolio standard (RPS) solicitations. I also schedule a prehearing conference (PHC) to begin the process of refining the transmission cost methodology for next year's RPS solicitations, and provide for updating the service list.

TRC Reports

Only one party, the Center for Energy Efficiency and Renewable Technologies (CEERT), filed comments on the TRC Reports. CEERT is concerned that PG&E and SDG&E attribute costs of intercompany transmission upgrades to out-of-area renewable resources, which could dramatically increase the cost of

such resources relative to the cost of projects located in the company's service territory. CEERT states, however, that this situation does not warrant delaying the solicitations to recalculate the transmission cost adders under revised assumptions. I agree with CEERT that the current reported transmission costs should not be modified in this respect, and defer CEERT's concern to the scheduled PHC.

CEERT recommends that the TRC Reports be modified so that bidders who propose importing renewable energy into PG&E's and SDG&E's territories be allowed to obtain their own transmission at their own cost to the designated delivery points. It suggests, alternatively, that the Commission could order each utility to "make a nominal amount of its existing transmission capacity at its borders available for bidding by imports and calculate the appropriate least-cost, best-fit allocation of energy displacement between in-basin generation and imports by the new 'winning bidder' for that capacity." Based on SDG&E and PG&E concerns regarding practicality and legality, I do not accept CEERT's proposed modifications to the current TRC Reports. However, CEERT may reiterate its suggestions during the PHC, for consideration as the transmission cost methodology is refined for use during next year's RPS solicitation.

CEERT also takes issue with PG&E's assessment of a renewable "VAR tax" for all renewables. CEERT argues that PG&E's assumptions underlying this assessment are not relevant to these bids and that no incremental VAR support is assigned to the gas-fired market price referent. As CEERT notes, the VAR assessment is added equally to all projects and, therefore, will not influence the bid rankings. I see no need to modify PG&E's TRC Report in this respect.

I find that the 2004 TRC Reports for SDG&E, SCE, and PG&E should be approved as submitted.

October 1, 2004 PHC

CEERT recommends that the Commission move quickly to continue the process of refining the transmission cost methodology. I agree with CEERT in this regard and schedule a PHC on October 1, 2004 as the next step in this process.

During the PHC, we will address refinements to the transmission cost methodology adopted in D.04-06-013. In that decision, the Commission identified a number of issues which may warrant further consideration, including the following:

1. sharing of gen-tie facilities;
2. evaluation of network benefits;
3. curtail ability;
4. dynamic line ratings; and
5. coincident generation;

Parties should review D.04-06-013 on these points, and are encouraged to offer comments through PHC statements regarding how each issue should be further developed. In response to CEERT's TRC Report comments, I find that the issue of use of existing intercompany transmission capacity by renewable resources located outside the purchasing company's service territory should be added to the list of issues for discussion at the PHC.

PG&E, SCE, and SDG&E shall, and other parties may, file PHC statements addressing these or other possible refinements to the transmission cost methodology no later than September 28, 2004. Parties may identify any other substantive issues that they believe should be within the scope of this inquiry. I also ask parties to propose procedural schedules in their PHC statements and to identify any other procedural issues that may warrant discussion.

While parties' PHC statements must be filed with the Docket Office in paper form, they should be served on the service list in electronic form, pursuant to Rule 2.3(b) in the Commission Rules of Practice and Procedure. Paper format copies, in addition to electronic copies, should be served on the Assigned Commissioner and the assigned Administrative Law Judge (ALJ), anyone on the Appearance and State Service portions of the service list who does not have a valid e-mail address, and any other party requesting paper format copy. Each party should e-mail courtesy copies of its PHC statement to the "Information Only" portion of the service list. Parties filing PHC statements should bring 10 extra copies to the PHC. Parties are encouraged to meet and confer prior to the PHC and to file joint PHC statements to the extent feasible.

Update of Service List

The service list for this proceeding may contain names of persons who may no longer wish to remain on this list. To avoid unnecessary burden on the parties in serving upcoming filings, I will reduce the service list to only those persons currently interested in any phase of this proceeding. All persons who wish to remain on the service list, which will be maintained on a consolidated basis for all phases of this proceeding, should appear at the PHC or should contact the ALJ via electronic mail (CFT@cpuc.ca.gov), or by phone at (415) 703-3124 no later than 5 p.m. on September 30, 2004, if they desire to remain on the service list.

Therefore, **IT IS RULED** that:

1. The 2004 Transmission Ranking Cost Reports filed by San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E) are approved.

2. The Commission shall hold a prehearing conference (PHC) at 10:30 a.m. on October 1, 2004, in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California, to address refinement of the transmission cost methodology adopted in Decision 04-06-013 for use in the next renewable portfolio standard procurement.

3. SDG&E, SCE, and PG&E shall, and other parties may, file PHC statements, as more fully set forth above, no later than September 28, 2004. Parties shall serve these statements on the service list, as well as on the Assigned Commissioner and assigned Administrative Law Judge (ALJ), and shall bring 10 extra copies of their PHC statements to the PHC.

4. Parties shall appear at the PHC or contact the ALJ as described in this ruling if they wish to remain on the service list for this proceeding. Only those persons who appear at the PHC or contact the ALJ as described above will remain on the list, and all other names will be removed.

Dated September 10, 2004, at San Francisco, California.

/s/ LORETTA M. LYNCH

Loretta M. Lynch
Assigned Commissioner

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties who have provided an electronic mail address, this day served a true copy of the original attached Assigned Commissioner Ruling Adopting Transmission Ranking Cost Reports and Setting Prehearing Conference on all parties of record in this proceeding or their attorneys of record.

Dated September 10, 2004, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at

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(415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.